

Governor Gregoire's budget for 2011-13 and what it means to us at WSDOT

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I don't need to tell you how difficult the challenges are that face our economy and our state. Many of you have seen or experienced firsthand the impacts this recession is having on our communities, our friends and our families. These are difficult times for state government, but I am confident we will emerge stronger, more efficient and more effective for the citizens of Washington.

Much of the news coverage today will focus on reductions the Governor has proposed in human services, education and corrections. The projected General Fund shortfall her budget had to fill is \$4.6 billion, which required cuts on top of the \$5.1 billion state government has taken over the past few years. With financial reductions of this magnitude, quite simply there are no good options.

The Governor talked today about laying a new foundation for a 21st Century government, while trying to protect only the most core services. A significant part of that restructuring was announced yesterday with the release of the Governor's plans to consolidate several central service agencies, realign the natural resource agencies, and to reduce the number of boards and commissions. By necessity, government will be smaller. With less funding and fewer people, government will do less.

Like all of state government, the Department of Transportation has been affected by the economic recession. A flattening of transportation revenues, combined with the fact that we are nearing completion of the \$15.5 billion capital investment program supported by the 2003 and 2005 gas-tax increases, requires the department to change. As a result, just like the rest of state Government, we have already taken a number of cuts, with \$22 million saved in the 2009-11 biennium alone. But further reductions are required to balance next biennium's budget.

I have already talked to you about the need to achieve a smaller, more sustainable size of our workforce as we near completion of our large capital program and the Governor's budget reflects that need by calling for a reduction in highway construction workforce levels of nearly 800 positions over the next four years. While difficult, this reduction is needed to bring workforce levels in line with projected project expenditures in the future. We will go through this difficult process in a way that honors and supports our employees.

The Ferries Division is another part of our agency that is facing sizable reductions. For a number of years, the Legislature has grappled with a short fall in funding for both ferry capital projects and ferry operations, patching the system together with short-term transfers from non-ferry transportation accounts. This approach is not sustainable.

The Governor's 2011-13 budget includes further reductions in ferry administrative costs and continues to transfer funds from highway sources. But even with these actions, funding is insufficient to maintain current service levels in the next biennium. Therefore, the Governor also is proposing a combination of fare increases and service cuts. In making service reductions, priority was placed on reducing service instead of eliminating routes and the reductions were spread throughout the system so that no one area would be disproportionately affected.

Finally, the Governor's budget assumes some employee compensation changes that will affect all of us. In addition to the Governor's pension reform proposals and the increase in employee health-insurance costs that you have probably heard about in the news, the Governor has assumed the savings that would result from a 3% reduction to all state government employee salaries. This reduction, which would take effect July 1st, reflects the tentative labor agreement that the Governor reached with the unions earlier this week. The agreement covers 90 percent of state employees, unlike furloughs, which covered about 35 percent of the workforce. Those earning \$30,000 or less a year would be exempt. The Governor is not proposing furloughs. For those employees who are subject to the 3 percent salary reduction, the Governor's budget would provide up to an additional 5.2 hours of leave per month. How the additional leave will be administered and how a narrow list of program exemptions will be applied still needs to be determined.

The Governor's budget is an important step in the budget process. Legislators will have much to debate when they begin their budget deliberations in January. I will do my best to keep you informed as we move through this process.

WSDOT is known and respected for our great employees and excellent work. How well you all have responded to the recent storm events is a perfect example of that. As you celebrate the holiday season with your families and friends, know that I am very proud of each of you and your contributions to this agency and the people of our state. Thank you.

Paula